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DEPT PASS USTR FOR KATE DUCKWORTH
DEPT PASS DOC/ITA/MAC/WH/OLAC ANNE DRISCOLL
DEPT PASS TREASURY IA LUYEN TRAN
DEPT PASS NSC GARY TOMASULO

SENSITIVE
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SUBJECT: Brazil: CEO Forum Members meetings Feb 20

111. (SBU) SUMMARY: CEO co-chair Tim Solso (CEO Cummins) and Brazilian CEO Forum representatives Jorge Gerdau (CEO, Gerdau SA) and Flavio Leite (representing Josue Gomes da Silva of Cotaminas) met with Embassy staff and MRE visas chief Mitzi Gurgel the morning of February 20 to discuss progress on CEO Forum priorities. They were joined by Marco Antonio Stefanini (CEO Stefanini IT Solutions), APEX President Alessandro Teixeira, MDIC staff and the Ambassador for further discussion at lunch. The group, joined by Embraer CEO Mauricio Botelho, moved to Casa Civil for an afternoon discussion with Casa Civil Dilma Rousseff and MDIC Minister Miguel Jorge. On behalf of the CEOs, Tim Solso underlined the need for demonstrated progress by the April 28 CEO Forum in Washington and identified six possible priority action areas: 1) transmission of a letter signed by the 20 CEOs to both governments identifying Doha priorities; 2) moving a GOB legislative proposal to revise Brazilian visa/immigration law forward to the congress; 3) Brazilian ratification of the TIEA and intensified discussions regarding a bilateral tax treaty; 4) initiating exploratory USG/GOB talks on a bilateral investment treaty/announcing the start of a negotiating process; 5) advancing civil aviation negotiations; and 6) a CEO initiative (no government assistance requested) to develop a corporate social responsibility fund. Dilma Rousseff encouraged CEOs to concentrate on "achievable successes" rather than a full bilateral tax treaty, was receptive to bilateral investment treaty discussions while cautioning that inclusion of an international arbitration mechanism would be extremely difficult, believed progress on civil aviation seemed achievable while underlining Sao Paulo's infrastructure challenges were real and significant, welcomed a positive Doha outcome, and did not react regarding visas.
END SUMMARY.

122. (SBU) In the morning session, ECON and FCS provided updates on CEO Forum matrix priorities. CON briefed the group on on-going efforts to address backlog and accelerating demand for visas to the United States, explaining that the number of visas adjudicated annually had more than doubled in the past three years, that the consular sections were in the process of expanding staff by almost 40 percent, and that more resources would be committed until the backlog was brought down. MRE's Mitzi Gurgel noted a legislative proposal to update Brazilian immigration law currently awaited Casa Civil approval and transmission to congress for consideration. If passed as proposed, the legislation would permit Brazil to offer 10 year visas and eliminate the requirement that Brazilian visas must be used within 90 days of issuance. MRE is also exploring a way to eliminate its visa processing fees (including the sixty dollar fee on business visas). Gurgel cautioned, however, that new legislation would not be in place before 2010 at the earliest and may be significantly changed by the congress. CEOs emphasized the need for demonstrable progress on Forum priorities by the April 28 event if

the Forum is to maintain CEO interest in participation.

13. (SBU) In the CEOs' meeting with Dilma Rousseff and Miguel Jorge, Rousseff emphasized that unless it can be demonstrated how "revenue losses under a bilateral tax treaty can be stopped, we are not going to be able to do one" with the United States. She stated GOB believes there is a "lack of balance" between gains to the United States and to Brazil under a BTT. Rousseff indicated that in the coming weeks, GOB will "assess the format of the possible, the structure that will allow us to negotiate without losses." She added that GOB "can not ignore segments harmful to parts of our economy; the challenge is to find win-win" areas. CEO Gerdau noted CEOs are paying for a survey to examine cost-benefit and believe "the balance is there between our two countries." Stefanini emphasized that "if we want to have a first-world economy," GOB must support mechanisms like a BTT and a bilateral investment treaty that will help companies expand and grow. CEO Solso noted that companies like Cummins would invest more if a BTT were in place and smaller companies would be encouraged to invest - so revenue would in fact increase. Rousseff agreed and said she had to be able to show that to the Finance Ministry and Receita Federal. MDIC Jorge said CEOs needed to present a concrete, detailed proposal. CEO Gerdau agreed.

14. (SBU) Dilma Rousseff underlined that progress on international arbitration mechanisms beyond the 1996 international arbitration law would be difficult. While MDIC Jorge indicated that perhaps international arbitration merited further discussion and consideration within GOB, and Rousseff encouraged further discussions with MRE and MDIC regarding possibilities for a bilateral investment treaty, Rousseff said twice she did not believe an agreement could include an international arbitration provision. Rousseff believed that dispute resolution clauses built into specific contracts were adequate and effective. As an example, she pointed to successes she felt she had achieved during her Petrobras

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tenure in resolving disputes with foreign countries based on contract provisions.

15. (SBU) COMMENT: Continued engagement directly by the Forum members, as well as USG, with GOB will be essential to seeing short-term progress on issues such as moving visa legislation to the Congress and encouraging rapid ratification of the TIEA. In addition, CEOs, particularly on the Brazilian side, must concretely articulate the benefits to Brazil of a bilateral tax agreement and an investment agreement that includes international arbitration. Mission continues to press hard on these issues. Ultimately, CEOs showing why these initiatives help them and help Brazil will be a crucial element in achieving medium-term progress. Post was encouraged that Dilma Rousseff explicitly stated Brazil wants the money and sense of entrepreneurship that US companies bring to Brazil's economy, yet GOB clearly needs to be convinced more fully that agreements like a BTT or BIT that would encourage more American involvement in the Brazilian economy are truly a "win-win" in Brazil's economic interest as its own companies expand their trade and investment relationships. END COMMENT

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